



INDONESIA: ENERGY HIGHLIGHTS OCTOBER 2005

Summary

- State oil and gas company Pertamina reported fuel consumption declined 27 percent following the October 1 fuel price increases.
- State gas company PGN announced tariff increases of 15 percent for industrial customers on October 15.
- Finance Minister Anwar issued a regulation imposing a coal export tax on October 11. President Yudhoyono inaugurated Antam's dual-fired power plant in Sulawesi on October 24.
- State electricity company PLN signed a contract with Japan's Sumitomo Corporation on October 11 to construct the Lahendong II geothermal power project in North Sulawesi, reportedly valued at USD 28.5 million.
- PLN also announced it has struck a deal on the price it will pay Indonesia's Star Energy for the electricity produced from its Wayang Windu geothermal power plant.

Note: This report uses an exchange rate of 1 USD = Rp 10,000

Fuel Consumption Decline

State oil and gas company Pertamina reported fuel consumption declined 27 percent from 191,000 kiloliters (KL) to 140,000 KL per day following the 126 percent average increase in subsidized fuel prices on October 1. Premium fuel (unleaded gasoline) consumption declined from 53,400 KL to 33,700 KL per day or almost 37 percent. Diesel consumption declined 30 percent from 77,000 KL to 53,600 KL per day. Kerosene consumption remained relatively stable at 36,100 KL per day. With the fuel price hikes, Pertamina says actual fuel usage in 2005 may fall within the allocated 2005 fuel consumption quota of 59.6 million KL, although fuel consumption had already reached 47.7 million KL through September 30, 2005.

Table 1: Fuel consumption by sectors as of 30 September 2005
(in million KL)

Fuel Type	Transport	Industry	Household	PLN	Total
Premium	13.36	-	-	-	13.36
Diesel	9.50	6.57	-	5.38	21.46
Kerosene	-	0.06	8.74	-	8.80
Diesel Oil	0.06	0.62	-	0.02	0.70
Fuel Oil	0.23	1.53	-	1.63	3.39
Total	23.15	8.79	8.74	7.03	47.71

Source: Pertamina

PGN Raised Industry Gas Prices

State gas company PGN announced tariff increases of 15 percent for industrial customers on October 15, raising gas prices to USD 4.50 per million British thermal unit (mmbtu) from the current USD 3.70 per mmbtu. The snap announcement on heels of the recent fuel price hikes prompted expressions of concern from the Ministry of Industry and the ceramic industry. PGN argued that the new gas price is roughly equivalent to a price of Rp 1,600 (USD 0.16) per liter for diesel fuel, which they call a good value compared to the current industry market diesel fuel price of Rp 6,000 (USD 0.60) per liter. The downstream regulatory body BPHMIGAS supported PGN's move, saying that the price of gas should be adjusted according to its economic value. The Indonesian Ceramic Industry Association (Asaki) did agree to the 15 percent price rise following consultations with PGN. The ceramic industry will be charged the new price immediately but pay the old gas price (USD 3.70 per mmbtu) through December 2005, making up the difference in six installment payments starting in January 2006.

Export Tax on Coal?

On October 11, Finance Minister Jusuf Anwar issued Ministry Regulation No. 96/PMK.02/2005 that will subject coal to 5 percent coal export tax. The Finance Ministry said the regulation aims to secure domestic coal supply and increase state revenue. The chairman of Indonesian Coal Mining Association (ICMA), Jeffrey Mulyono condemned the move, explaining that it will only further reduce Indonesia's global competitiveness in the coal industry and compound the problem of increased industrial diesel prices. Although already issued, the regulation will only come into force once the Ministry of Trade has issued regulations for calculating minimum export and Free-On-Board (FOB) prices for coal. Mining industry representatives comment that the

new regulation does nothing to address their long-standing calls for a new mining law to promote investment and exploration to replace the current law that was enacted in 1967.

President Inaugurates Antam's Power Plant

President Susilo Bambang Yudhoyono inaugurated on October 24 a power plant built by state mining company Antam in Pomalaa, South East Sulawesi. The 102 Megawatt (MW) power plant reportedly cost USD 64 million and is part of Antam's third ferronickel project in Sulawesi. The power plant will temporarily operate on diesel until gas from Medco's Senoro field comes online. The plant is expected to begin operations in the first quarter 2006, increasing Antam's ferronickel production from 11,000 to 26,000 tons per year. Antam currently owns two ferronickel operations in Sulawesi, each with individual electrical generation capacity of 17 MW and 22 MW respectively.

Geothermal Development

State electricity company PLN on October 11 signed a contract with Japan's Sumitomo Corporation to construct the Lahendong II geothermal power project in North Sulawesi, reportedly valued at USD 28.5 million. Sumitomo has taken on Japan's Fuji Electric and Indonesia's PT Rekayasa Industri as partners in the project. The 20-MW power project is an extension of the Lahendong I project of the same capacity. The project's engineering, procurement and construction (EPC) will be financed through an Asian Development Bank (ADB) loan, and construction will take approximately 20 months. Sumitomo has previously undertaken similar projects in Gunung Salak and Wayang Windu, both in West Java. Electricity production is expected to begin in June 2007, bolstering North Sulawesi's current 171 MW capacity. PLN says it plans to increase its geothermal capacity to 2,000 MW by the year 2009.

After a lengthy negotiation process, PLN announced it has struck a deal on the price it will pay Indonesia's Star Energy for electricity produced at its Wayang Windu geothermal power plant. Both companies agreed to a price of 4.9 U.S. cents per Kilowatt Hour (Kwh). However PLN says it still has questions on the functioning of the inflation-based price adjustment formula proposed by Star Energy. The Wayang Windu project, located 40 kilometers south of Bandung, West Java, has an installed capacity of 110 MW. Star Energy acquired the project from a Deutsche Bank-led consortium in November 2004, and plans to double the project capacity by 2008.